

Message Text

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PAGE 01 STATE 140329
ORIGIN EA-12

INFO OCT-01 ISO-00 ABF-01 EB-08 DOE-15 SOE-02 CIAE-00
INR-10 NSAE-00 OES-07 /056 R

DRAFTED BY EA/TIMBS:EJCHESKY:AR
APPROVED BY EA/TIMBS:REFRITTS
A/BF/OAG:JHSOUTHERLAND
EB/ORF/FSE - MR. HAR
(DRAFT)

-----064288 030731Z /11

R 022114Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA
INFO AMEMBASSY BANGKOK
USCG HONOLULU HI - -

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USCG PASS USGAO; BANGKOK FOR GAO STAFFORD

E.O. 11652: N/A

TAGS: AGAO, ENRG, ID

SUBJECT: GAO REVIEW OF ENERGY'S ROLE IN US-INDONESIAN
RELATIONS

REF: STATE 094903 (77)

1. GAO UNDERTOOK AN INITIAL PHASE OF THEIR REVIEW OF
ENERGY'S ROLE IN US-INDONESIAN RELATIONS IN 1977. FURTHER
DISCUSSIONS IN JAKARTA WERE POSTPONED FROM THE SPRING OF
THIS YEAR AT THE DEPARTMENT'S REQUEST BECAUSE OF THE
PRESIDENTIAL ELECTION. GAO HAS NOW APPROACHED THE
DEPARTMENT PROPOSING THAT ITS TEAM UNDERTAKE THIS REVIEW
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IN THE COMING WEEKS, INITIALLY AND TO THE MAXIMUM EXTENT
POSSIBLE IN THE US, AND THEN IN JULY IN JAKARTA.

2. THE GAO STUDY IS SELF-INITIATED, TO BETTER UNDERSTAND
INDONESIA'S POLICY GOALS, PROBLEMS AND PROSPECTS IN
THE ENERGY FIELD AS THEY RELATE TO US INTERESTS. THE
IMPORTANCE OF INDONESIA IN MEETING OF US ENERGY POLICY

OBJECTIVES WILL BE A FOCUS OF THE REVIEW. (IN THIS CONTEXT THE GAO HAS AGREED THAT A REVIEW OF US-INDONESIAN LNG RELATIONS WOULD NOT BE USEFUL AT PRESENT WITH THE DOE/ERA DECISION PENDING, AND THIS WILL BE EXCLUDED FROM ITS STUDY). THE STUDY OF INDONESIA IS ONE OF A SERIES OF

SIMILAR REVIEWS INCLUDING SAUDI ARABIA, MEXICO, CANADA IN ADDITION TO INDONESIA. THE FIRST OF THESE, ON SAUDI ARABIA, HAS BEEN PUBLISHED AND POUCHED TO THE EMBASSY (ON MAY 25) PROVIDING AN INDICATION OF THE APPROACH TAKEN BY GAO.

3. THE FOLLOWING SUGGESTED TERMS OF REFERENCE FOR THE GAO STUDY OF INDONESIA HAVE BEEN PRESENTED TO THE DEPARTMENT.

(A) CURRENT AND LONGER TERM PRODUCTION TRENDS FOR INDONESIAN PETROLEUM.

(B) PRESENT AND FUTURE ROLE OF US COMPANIES IN INDONESIAN PRODUCTION -- CONTRACTUAL RELATIONS BETWEEN PERTAMINA AND THE COMPANIES.

(C) INCENTIVES AND DISINCENTIVES TO EXPLORATION AND DEVELOPMENT -- GOI'S LONG TERM PETROLEUM OBJECTIVES AND PROGRAMS, AND PROBLEMS IN ACHIEVING THEM.
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(D) THE ROLE OF PERTAMINA AND THE GOVERNMENT AGENCIES IN PETROLEUM OPERATIONS AND LONGER TERM ENERGY POLICY.

(E) INDONESIA'S FOREIGN MARKETING (EXPORT TRENDS AND POLICY) AND THE IMPORTANCE OF THE US MARKET AS COMPARED TO OTHERS.

(F) INDONESIAN DOMESTIC CONSUMPTION TRENDS, PETROLEUM IMPORT POLICY, AND FUTURE EXPORT AVAILABILITIES.

(G) DEMAND FOR AND TRENDS IN US IMPORTS OF INDONESIAN CRUDE (MAINLY LOW SULPHUR).

(H) US POLICIES AND THEIR IMPACT UPON INDONESIAN PRODUCTION AND EXPORTS -- IRS DECISION, IMPORT DIVERSIFICATION, REDUCTION OF DEPENDENCE ON FOREIGN OIL, FUEL RESERVES.

(I) ASSESSMENT OF THE FUTURE ROLE OF INDONESIAN OIL IN THE US ECONOMY.

(J) THE SIGNIFICANCE TO THE US OF INDONESIA AS A MODERATE, NON-MIDDLE EAST OPEC, MEMBER SUPPLYING A SIGNIFICANT PROPORTION OF US IMPORTS.

4. GAO HAS PROPOSED ITS BANGKOK OFFICE INITIATE THIS REVIEW IN JUNE TO TALK ONLY WITH THE EMBASSY AND MAKE AN INITIAL COLLECTION OF DATA AVAILABLE IN THE EMBASSY. DEPARTMENT HAS NO OBJECTION TO THIS INITIAL VISIT AND LEAVES IT TO THE EMBASSY TO WORK OUT TIMING WITH BANGKOK.

5. GAO TEAM CONSISTING OF WILLIAM E KEPPLER, JR AND TWO STAFF FROM THE BANGKOK OFFICE PROPOSE TO COME TO JAKARTA ABOUT JULY 9 FOR ABOUT TWO TO THREE WEEKS DEPENDING ON AVAILABILITY OF INDONESIAN CONTACTS. LIMITED OFFICIAL USE

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6. IT IS RECOMMENDED THAT EMBASSY BEGIN PRELIMINARY DISCUSSION WITH GOI ON PURPOSES AND APPROXIMATE TIMING OF MISSION LEAVING DETAILED TALKS UNTIL AFTER TERMS OF REFERENCE ARE FINALIZED.

7. GUIDELINES FOR THE GAO VISITS ARE AS FOLLOWS:

(A) EMBASSY SHOULD APPOINT CONTROL OFFICER FOR GAO STUDY WHO WILL FACILITATE TEAM'S ACTIVITIES AND ASSURE COORDINATION OF APPOINTMENTS OUTSIDE OF THE EMBASSY AND THAT TEAM IS ACCOMPANIED. THE GAO IS AWARE THAT CONTACTS WITH FOREIGN OFFICIALS ARE AT THE DISCRETION OF THE AMBASSADOR, TO BE ARRANGED FOR BY THE EMBASSY AND AN EMBOFF TO ACCOMPANY, IF FEASIBLE.

(B) ADDITIONAL INFORMATION ON THE NAMES OF TEAM MEMBERS, EXACT DATES OF VISIT, SECURITY CLEARANCES, TRAVEL PLANS AND HOTEL REQUIREMENTS WILL BE TRANSMITTED BY SEPTTEL AS SOON AS KNOWN.

(C) IT IS THE DEPARTMENT'S POLICY TO BE OF ASSISTANCE TO THE GAO AND TO BE AS HELPFUL AS POSSIBLE WITHIN THE GUIDELINES OF 4 FAM 930-934. ANY QUESTIONS OR PROBLEMS THAT SHOULD ARISE DURING THE COURSE OF THE VISIT, PARTICULARLY REGARDING GAO ACCESS TO AND/OR RETENTION OF DEPARTMENT FILES OR DOCUMENTS, SHOULD BE REFERRED TO THE DEPARTMENT. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, FOREIGN RELATIONS, STUDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE140329
Document Source: CORE
Document Unique ID: 00
Drafter: EJCHESKY:AR
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780232-0833
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806101/aaaadiqb.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8c1f077c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 94903
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2138594
Secure: OPEN
Status: NATIVE
Subject: GAO REVIEW OF ENERGY'S ROLE IN US-INDONESIAN RELATIONS
TAGS: AGAO, ENRG, PEPR, ID, US
To: JAKARTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8c1f077c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014